

Voluntary - Public

Clearance Office: All - FAS

Date: 5/8/2009

GAIN Report Number: 9041

China - Peoples Republic of

Post: Beijing

Report Categories:

Agriculture in the News

Approved By:

Chanda Beckman

Prepared By:

Darren Chandlee

Report Highlights:

This report provides a news synopsis of trade policy and agriculture/commodities in China. The news includes: 1) AQSIQ's Pork Ban Expands to more U.S. States; 2) Pork Prices Expected to Weaken in the Latter Half of 2009; 3) China Bans Commercial Advertising Using "Antibiotic-Free" in Dairy Products; 4) COFCO Begins Construction on Grain and Oilseed Processing Plant; 5) GOC Purchases Domestic Soybeans; 6) Fujian to Build a Tannery Park in Zhangpu; 7) GOC seeks Food Safety Whistleblowers; 8) Shanghai FDA Carries out Food Safety Training; and 9) 7-Eleven Opened Four Stores in Shanghai.

General Information:

Author Defined:

AQSIQ's Pork Ban Expands to more U.S. States: On April 26, the Chinese Ministry of Agriculture (MOA) and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) jointly announced a ban on swine and swine product exports from Mexico and the states of Texas, California, and Kansas due to human cases of infection with A-H1N1 influenza. AQSIQ also suspend issuance of new Entry Animal and Plant Quarantine Permits and canceled permits already issued for imports from these banned states. On April 29, the two agencies jointly announced another ban on the states of New York and Ohio States, citing the same reason. This announcement stated that as new

human cases are confirmed in other states, those states would be automatically banned for swine and swine product exports to China. On May 3, joint bans on swine and swine imports from Alberta Canada were announced due to detection of a swine infected with A-H1N1. The difference between the ban on swine exports to China from the United States and Canada is that as human cases are found in a U.S. state, that state will be automatically banned, whereas in Canada swine -not human cases- must be discovered for a Canadian State to be automatically banned. Pork imports from Europe are not banned, but strictly under inspection and quarantine. (Source: AQSIQ website, 04/26/09 – 05/03/09)

Pork Prices Expected to Weaken in the Latter Half of 2009: According to the Department of Animal Husbandry of MOA, China's swine inventory in March was 448.61 million head, a 0.6 percent increase from February. Productive sow inventory in March was 49.42 million head, a 0.9 percent decrease from the previous month. Both the total swine and productive sow inventory numbers are higher than the government macro-control targets of 410 million head and 41 million head, respectively. Therefore, swine production has outpaced demand thus pork prices are expected weaken in the latter half of 2009. (Source: China Food Newspaper, 5/07/2009)

China Bans Commercial Advertising Using “Antibiotic-Free” in Dairy Products:

On May 7, six Chinese Government agencies jointly announced a ban on the use of “antibiotic-free” for commercial advertising of dairy products. The ban was established to prevent the use of a chemical additive used by processing plants that can result in a false positive test for antibiotics. Supermarkets in some cities have already started to replace dairy products indicating “antibiotic-free.” The profit of some products manufactured by Ever Bright Company, based in Shanghai, may be impacted because Ever Bright's competitive advantage is “antibiotic-free” dairy products. (Source: China Consumer News, 05/07/2009)

COFCO Begins Construction on Grain and Oilseed Processing Plant: COFCO president, Ning Gaoning, said COFCO began construction of a grain and oilseed processing base in the Linggang Industry Zone in Tianjin. After completion of the facility, COFCO's yearly crushing capacity will reach six MMT in Tianjin, raising COFCO's total crushing capacity to 15 MMT per year. Mr. Ning denied that COFCO would merge with Huiyuan Juice Company, and said COFCO would remain a specialized food company, instead of a “diversified” group. COFCO indicated the Tianjin crushing base might use 1.5 MMT of domestic soybeans annually and the soybean products will be marketed mainly in North China. (Source: www.sina.com, 05/04/09)

GOC Purchases Domestic Soybeans: On April 29, the Government of China (GOC) announced the state purchase of an additional 1.25 MMT of domestic soybeans at the current price U.S. \$541/MT (RMB 3,700/MT) based on a decision made at the State Council Meeting held on April 22. The State Grain Reserve Corporation was instructed to purchase one MMT, 200,000 MT and 50,000 MT of soybeans from Heilongjiang, Inner Mongolia, and Jilin, respectively, before the end of June. In addition to the previous plan of purchasing six MMT, the new total state purchase of domestic soybeans will now reach 7.25 MMT. Industry sources indicate that the purchase of the six MMT has not yet been completed and will continue until the end of June. It is also estimated that Heilongjiang farmers still hold about two MMT. (Source: http://www.gov.cn/gzdt/2009-04/30/content_1301328.htm, 04/30/09)

Fujian to Build a Tannery Park in Zhangpu: With growing numbers of affluent cities in South China, many local governments forbid new investment in tanneries. However, the coastal county of Zhangpu in Fujian Province launched a new tannery park project to serve the province's large shoe production industry. The investment will occupy 28 million square feet, contain a U.S. \$12 million water treatment facility designed to handle 25,000 tons of waste water daily, and the top ten Fujian tanneries will relocate to the park by the end of 2010. According to China Leather News, China exported shoes valued at U.S. \$6.3 billion in the first quarter of 2009, an 0.8 percent increase from the same period last year. (Source: ATO/Guangzhou and local press, 05/04)

GOC seeks Food Safety Whistleblowers: People who report useful tips on illegal food and drug preparation could receive a reward in excess of U.S. \$7,000 (RMB 50,000). The award will be offered by the Shanghai Food and Drug Administration (FDA) which added that they are closely monitoring products that have recently been involved in scandals throughout the country, including asbestos-tainted baby talcum powder and clenbuterol in pork. In the last few weeks, inspections targeted cakes, cooked food, and products with the majority of complaints in “loaded beef” (injected with water to increase weights). Shanghai FDA also uncovered 10,602 cases involving unsafe food and drugs last year and fined offending businesses U.S. \$3.77 million (RMB 25.82 million) in response. There were 17 food poisoning

cases last year in Shanghai affecting 467 people. In 2007, there were 13 cases reported with 326 victims. (Source: ATO/Shanghai and local press, 05/07/09)

Shanghai FDA Carries out Food Safety Training: The Shanghai Food and Drug Administration (FDA) will give food safety training to thousands of people who work in the food and catering industry by the end of this year. Those who will be given training include purchasers, cooks, and sanitation workers in local restaurants, school and company canteens, and pre-packaged food manufacturers. Shanghai is the nation's first city to carry out such a wide ranging food safety education campaign. More than 80 percent of local food poisoning cases are due to improper food care by food preparation staff. According to a local food watchdog organization, other risks originated from tainted agricultural products and poor conditions inside local eateries. Authorities are developing a comprehensive program covering the entire food safety process by checking raw materials, the preparation of dishes to the way food is served, and by creating a traceability system to link problems back to their source. (Source: ATO/Shanghai and local press, 05/07/09)

7-Eleven Opened Four Stores in Shanghai: On April 30, 7-Eleven opened four new stores in Shanghai, with plans to expand to 300 stores within a five-year period. The first four stores are located in commercial hubs, residential areas, and commuter transfer stations. To distinguish itself, 7-Eleven will focus on hot food sales and these stores promise to be twice as large as the average Shanghai convenience store. With now more than 590 stores in Mainland China, Shanghai has become the third city in Mainland China to have 7-Eleven stores. Shanghai's 7-Eleven stores are run by President Chain Store Corp, the operator of 4,800 7-Eleven stores in Taiwan, under a license from Japan's Seven & I Holdings. Seven Eleven (China) Co, a subsidiary of Japan's Seven & I Holdings Co, operates 75 stores in Beijing and runs 512 outlets in Guangzhou with Hong Kong's Dairy Farm International Holdings Ltd. (Source: ATO/Shanghai and local press, 05/07/09)